

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

FINANCIAL REPORT

June 30, 2014



A Professional Accounting Corporation

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EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

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Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Honorable Sid J. Gautreaux, III
Sheriff and Tax Collector
East Baton Rouge Parish Sheriff
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, and the schedule of funding progress for the Sheriff's other post-employment benefit plan, presented on pages 4 through 11, 33 through 34, and page 35, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sheriff's basic financial statements. The combining schedule of fiduciary assets and liabilities on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 43 is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining schedule of fiduciary assets and liabilities, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2014 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheriff's internal control over financial reporting and compliance.

Postlethwaite + Nettenville

Baton Rouge, Louisiana
December 19, 2014

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

This section of the East Baton Rouge Parish Sheriff's (the Sheriff's) annual financial report provides our narrative discussion and analysis of the financial activities of the Sheriff for the fiscal years ended June 30, 2014 and 2013. The Sheriff's financial performance is discussed and analyzed within the context of the financial statements and disclosures, which follow this section.

Financial Highlights

- The Sheriff's net position was approximately \$12.5 million and \$13.4 million for the fiscal years ended June 30, 2014 and 2013, respectively.
- Total expenses of \$87.3 million exceeded total revenues of \$86.5 million, resulting in a decrease in the net position of approximately \$800,000 for the year ended June 30, 2014. For the year ended June 30, 2013, total expenses of \$87.9 million exceeded total revenues of \$87.7 million, resulting in a decrease in net position of approximately \$200,000 for that year.
- The Sheriff's governmental funds contained total ending fund balances of approximately \$22.6 and \$20.9 million as of June 30, 2014 and 2013, respectively. This level of fund balance provides a reasonably adequate level of operating reserves for the near-term.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$9.8 million and \$11.0 million for the years ended June 30, 2014 and 2013. This investment in capital assets includes property and equipment net of accumulated depreciation.
 - (2) Restricted net position was \$0.45 million and \$0.63 million for the years ended June 30, 2014 and 2013, respectively. These assets (net of liabilities to be paid from those assets) consist primarily of seized assets or other accounts whose use is restricted by statute.
 - (3) Unrestricted net position of \$2.3 and \$1.8 million for the years ended June 30, 2014 and 2013, respectively represents the net long-term resources that are available for the sheriff to use at his discretion.

Greater detail of these financial highlights is provided in the "financial analysis" section of this document.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Sheriff's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Sheriff also includes information in this report to supplement the basic financial statements

Government-wide Financial Statements

The Sheriff's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Sheriff's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the Sheriff's assets, deferred outflows, liabilities, and deferred inflows with the difference among them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Sheriff as a whole is improving or deteriorating. Evaluation of the overall health of the Sheriff would extend to other non-financial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Sheriff's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Sheriff's distinct activities or functions on revenues provided by taxpayers.

The government-wide financial statements present governmental activities of the Sheriff that are principally supported by property taxes. The sole purpose of these governmental activities is public safety. The government-wide financial statements are presented on pages 12 and 13 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Sheriff uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Sheriff's most significant funds, rather than the Sheriff as a whole.

The Sheriff uses governmental funds and fiduciary funds as follows:

Governmental funds are reported in the fund financial statements and encompass the same function reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements providing a distinctive view of the Sheriff's governmental funds, including object classifications. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The governmental fund financial statements and the reconciliations of those statements to the government-wide financial statements are presented on pages 14 through 17 of this report.

Fiduciary funds are combined and reported in the fiduciary fund financial statements. These four separate funds account for taxes collected for other taxing bodies, deposits held pending court action and the individual prison inmate accounts. The only fiduciary type funds presented by the Sheriff are agency funds.

The combined agency fund financial statement is presented on page 18 of this report. Combining schedules of the individual fiduciary funds balances and activity are presented pages 37 and 38 of the report.

Notes to the basic financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Sheriff's budget presentations and the other post-employment benefit plan. Budgetary comparison statements are included as "required supplementary information" for the general and special revenue fund. These schedules demonstrate compliance with the Sheriff's adopted and final revised budget. This required supplementary information can be found on pages 33 through 35 of this report.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

Financial Analysis

The Sheriff's net position was \$12,548,023 and \$13,352,161 at June 30, 2014 and 2013, respectively. The following table provides a summary of the Sheriff's net position:

Summary Statement of Net Position

	<u>June 30, 2014</u>	(Restated) <u>June 30, 2013</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Assets:		
Current assets	\$ 24,643,162	\$ 23,162,865
Capital assets	<u>9,775,088</u>	<u>10,916,337</u>
Total assets	<u>34,418,250</u>	<u>34,079,202</u>
Liabilities:		
Current liabilities	6,123,933	6,096,300
Long-term liabilities	<u>15,746,294</u>	<u>14,630,741</u>
Total liabilities	<u>21,870,227</u>	<u>20,727,041</u>
Net position:		
Investment in capital assets	9,775,088	10,916,337
Restricted	456,486	632,819
Unrestricted	<u>2,316,449</u>	<u>1,803,005</u>
Total net position	<u>\$ 12,548,023</u>	<u>\$ 13,352,161</u>

Net position of \$12,548,023 and \$13,352,161 at June 30, 2014 and 2013, respectively, was \$804,138 and \$174,778 less than net position for the previous year. The Sheriff had \$9,775,088 and \$10,916,337 invested in capital assets at June 30, 2014 and 2013, respectively, consisting primarily of law enforcement and telecommunications equipment and vehicles. The decrease from 2013 to 2014 is attributed to depreciation and disposals. Long-term liabilities consisting primarily of the net post-employment benefit obligation and accrued compensated leave were \$15,746,294 versus \$14,630,741 at June 30, 2014 and 2013, respectively. The increase in long-term liabilities is largely attributable to the increase in the post employment benefits obligation as determined by Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

Management's Discussion and Analysis

The following table provides a Summary Statement of Activities that accounts for the Sheriff's changes in net position:

Summary Statement of Activities

	<u>June 30, 2014</u>	(Restated) <u>June 30, 2013</u>
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
Revenues:		
Program:		
Fees, charges and commissions for services	\$ 21,833,476	\$ 22,267,533
Operating grants and contributions	<u>1,944,247</u>	<u>3,446,168</u>
	<u>23,777,723</u>	<u>27,713,701</u>
General:		
Ad valorem taxes	57,536,926	54,595,350
Grants not restricted to specific programs	4,387,931	4,470,906
Interest income	226,328	179,673
Miscellaneous	<u>577,623</u>	<u>740,803</u>
Total revenues	<u>86,506,531</u>	<u>87,700,433</u>
Expenses:		
Public safety:		
Personnel services and benefits	60,130,361	60,700,281
Operating services	14,631,271	12,823,641
Materials and supplies	10,511,327	11,101,760
Transporting and other charges	<u>2,037,710</u>	<u>3,249,529</u>
Total expenses	<u>87,310,669</u>	<u>87,875,211</u>
Change in net position	(804,138)	(174,778)
Beginning net position (restated)	<u>13,352,161</u>	<u>13,526,939</u>
Ending net position	<u>\$ 12,548,023</u>	<u>\$ 13,352,161</u>

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Baton Rouge, Louisiana

Management's Discussion and Analysis

REVENUES

Ad-valorem taxes funded 67% and 62% of the Sheriff's operations for the years ended June 30, 2014 and 2013, respectively. Ad-valorem taxes in terms of dollars increased \$ 2,941,576 or 5% and that increase is attributable to an increase in collection of ad valorem taxes of approximately 1% as well as an increase in projected revenues of approximately \$2,000,000 from the grand recap of ad valorem taxes. Program revenues consisting of fees, charges, commissions and restricted operating grants and contributions funded 27% and 32% of operations for the years ended June 30, 2014 and 2013, respectively. Those revenues decreased \$3,935,978, or 14% and that decrease is attributable to a decrease in Civil Fees of approximately \$1,200,000 and a decrease in federal grants revenue of approximately \$1,400,000 due to less active grants in the current year.

EXPENSES

The primary function of the Sheriff's Office is public safety activities. Therefore, all expenses are presented within this category on the Statement of Activities. To highlight certain components of this broad category of expenses, we offer the following analysis.

Personnel expenses decreased \$569,920, or 1%. The decreased personnel expenses are attributable to several factors, including attrition of existing personnel and hiring of new personnel at lower salaries. Operating services remained consistent with 2013.

Financial Analysis of the Sheriff's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$22,616,175 and \$20,955,316 at June 30, 2014 and 2013, respectively. The fund balance as of June 30, 2014 represents approximately 27% of annual expenditures. This level of fund balance will allow the Sheriff to sustain operations during periods of decreased revenues without having to obtain significant short or long-term borrowings.

Budgetary Highlights

The General Fund — The original budgets for the General Fund included anticipated revenues of approximately \$85.8 million and \$79.5 million for the years ended June 30, 2014 and 2013, respectively, an increase of approximately \$6.3 million from 2013 to 2014. For the fiscal year ended June 30, 2014, the budget was amended to reflect decreases in various revenue accounts totaling approximately \$1 million; however, the total actual revenues of \$86 million, as reported in the General Fund, exceeded the amended budget by approximately \$1.2 million. This was attributed to higher than anticipated fee and tax revenue.

The original budgets for the General Fund included anticipated expenditures of approximately \$85.8 million and \$83.8 million for the years ended June 30, 2014 and 2013, respectively, an increase of approximately \$2.0 million and \$5.2 million for these years from the prior year. For the year ended June

EAST BATON ROUGE PARISH SHERIFF
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Management's Discussion and Analysis

30, 2014, the budget was amended to reflect a decrease of approximately \$1.6 million in anticipated expenditures, most significantly in the areas of materials and supplies; however, the total actual expenditures of \$84.4 million was approximately \$175,000 more than total anticipated expenditures of \$84.4 million on the amended budget.

The net change in fund balance for the year ended June 30, 2014 of \$1,673,453 indicates an increase in financial reserves, and is more favorable than that which was originally budgeted.

The Prison Canteen Special Revenue Fund — There were no significant differences between the original and final budget.

Capital Assets and Debt Administration

Capital assets

The Sheriff's investment in capital assets was \$9,775,088, net of accumulated depreciation of \$20,071,464 at June 30, 2014 and \$10,916,337, net of accumulated depreciation of \$18,065,708 at June 30, 2013. Under the Sheriff's capitalization policy, assets with a cost of \$5,000 or more are capitalized for purposes of financial reporting. All assets with a cost of \$500 or more, as well as certain assets with a cost of less than \$500, are inventoried and tracked. See Note 3 within the notes to the financial statements for additional information about changes in capital assets during the fiscal year and the balance at the end of the year.

The following table provides a summary of capital asset categories:

<u>Capital Assets</u>		
<u>(net of accumulated depreciation where applicable)</u>		
	<u>6/30/2014</u>	<u>(Restated)</u> <u>6/30/2013</u>
Land	\$ 43,560	\$ 43,560
Buildings	2,588,504	2,696,616
Vehicles	2,565,201	3,438,431
Office furniture & equipment	739,837	717,222
Law enforcement equipment	2,361,215	2,474,624
Telecommunications equipment	<u>1,476,771</u>	<u>1,545,884</u>
Total capital assets	<u>\$ 9,775,088</u>	<u>\$ 10,916,337</u>

At June 30, 2014 and 2013, respectively, the depreciable capital assets for governmental activities were 67% and 62% depreciated.

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Baton Rouge, Louisiana

Management's Discussion and Analysis

Long-term liabilities

The Sheriff had no long-term bonded debt or borrowings for the fiscal years ended June 30, 2014 and 2013. However, long-term liabilities for post employment health benefits of \$10,232,903; for self-insured health claims of \$1,270,000; for general liability and auto claims payable of \$500,000, and for compensated absences of \$3,743,391, have accrued to the Sheriff as of June 30, 2014. These long-term liabilities increased \$1,115,553 in total from June 30, 2013.

Economic Conditions and Budgets of Future Periods

In setting the fiscal year 2015 budget, property tax revenues were projected to increase by approximately 2%. Other revenues are expected to remain constant. Expenditures are expected to increase approximately 6% because of pay increases and capital purchases. Overall, the Sheriff's office is budgeted to operate at a deficit of approximately \$2.1 million for fiscal year 2015. The fund balance of \$22,500,774 is sufficient to absorb this operating deficit.

Contacting the Sheriff's Financial Management

This financial report is designed to provide a general overview of the Sheriff's finances, comply with laws and regulations related to finance, and demonstrate the Sheriff's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Sheriff's Office, Edward "Skip" Rhorer, Chief Civil Deputy, at (225) 389-8975 or email at srhorer@ebrso.org.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

STATEMENT OF NET POSITION
June 30, 2014

ASSETS

Cash	\$ 20,182,143
Cash restricted	835,303
Receivables	942,035
Due from fiduciary funds	702,323
Due from other governments	1,552,170
Other	429,188
Capital assets:	
Land	43,560
Depreciable assets, net	9,731,528
Total assets	<u>34,418,250</u>

LIABILITIES

Accounts payable and accrued liabilities	929,777
Due to others	1,097,210
Compensated absences payable	4,096,946
Long-term liabilities:	
Net post employment benefit obligation	10,232,903
Compensated absences payable	3,743,391
General liability and auto claims payable	500,000
Health claims payable	1,270,000
Total liabilities	<u>21,870,227</u>

NET POSITION

Net investment in capital assets	9,775,088
Restricted	456,486
Unrestricted	2,316,449
Total net position	<u>\$ 12,548,023</u>

The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	<u>Program Revenues</u>			Net (Expense)
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities:				
Public Safety	<u>\$ 87,310,669</u>	<u>\$ 21,833,476</u>	<u>\$ 1,944,247</u>	<u>\$ (63,532,946)</u>
General revenues:				
Ad valorem taxes				57,536,926
State funds not restricted to specific programs				4,387,931
Interest income				226,328
Other				<u>577,623</u>
Total general revenues				<u>62,728,808</u>
Change in net position				(804,138)
Net position - beginning (Restated)				<u>13,352,161</u>
Net position - ending				<u>\$ 12,548,023</u>

The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 20,075,858	\$ 106,285	\$ 20,182,143
Cash restricted	835,303	-	835,303
Receivables	942,035	-	942,035
Due from other funds	702,023	300	702,323
Due from other governments	1,552,170	-	1,552,170
Other	410,641	18,547	429,188
Total assets	<u>\$ 24,518,030</u>	<u>\$ 125,132</u>	<u>\$ 24,643,162</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 920,046	\$ 9,731	\$ 929,777
Due to others	1,097,210	-	1,097,210
Total liabilities	<u>2,017,256</u>	<u>9,731</u>	<u>2,026,987</u>
<u>FUND BALANCE</u>			
Restricted	456,486	-	456,486
Committed	-	115,401	115,401
Unassigned	22,044,288	-	22,044,288
Total fund balances	<u>22,500,774</u>	<u>115,401</u>	<u>22,616,175</u>
 Total liabilities and fund balances	 <u>\$ 24,518,030</u>	 <u>\$ 125,132</u>	 <u>\$ 24,643,162</u>

The accompanying notes are an integral part of these statements.

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RECONCILIATION OF THE GOVERNMENTAL FUNDS' BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances for governmental funds at June 30, 2014	\$ 22,616,175
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Total Net Position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Total capitalized cost, net of \$20,071,464 accumulated depreciation is equal to:	9,775,088
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Long-term liabilities at June 30, 2014:	
Net post employment benefits obligation recorded in accordance with GASB 45	(10,232,903)
Claims payable - self insurance for healthcare benefits	(1,270,000)
Claims payable - general liability and auto	(500,000)
Compensated absences payable	<u>(7,840,337)</u>

Total Net Position of governmental activities at June 30, 2014	<u><u>\$ 12,548,023</u></u>
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The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

<u>REVENUES</u>	<u>General Fund</u>	<u>Canteen Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 57,536,926	\$ -	\$ 57,536,926
Intergovernmental revenues:			
Federal grants	1,723,146	-	1,723,146
State grants	91,520	-	91,520
State supplemental pay	3,694,050	-	3,694,050
State revenue sharing	693,881	-	693,881
Fees, charges, and commissions for services:			
Civil and criminal fees	6,342,198	-	6,342,198
Court attendance	131,172	-	131,172
Transporting prisoners	314,344	-	314,344
Feeding and keeping prisoners	10,490,826	-	10,490,826
Sales of merchandise	-	48,824	48,824
Fines and forfeitures	208,689	-	208,689
Narcotics seizures	101,223	-	101,223
Other	3,777,299	418,901	4,196,200
Interest income	225,847	481	226,328
Donations	129,581	-	129,581
Miscellaneous	590,344	2,351	592,695
Total Revenues	<u>86,051,046</u>	<u>470,557</u>	<u>86,521,603</u>
<u>EXPENDITURES</u>			
Public safety:			
Personnel services and related benefits	58,417,431	389,182	58,806,613
Operating services	11,976,763	-	11,976,763
Materials and supplies	10,449,150	62,177	10,511,327
Transporting and other charges	2,027,956	31,792	2,059,748
Capital outlay	1,554,437	-	1,554,437
Total Expenditures	<u>84,425,737</u>	<u>483,151</u>	<u>84,908,888</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,625,309	(12,594)	1,612,715
Other financing sources:			
Sale of fixed assets	48,144	-	48,144
Total other financing sources	<u>48,144</u>	<u>-</u>	<u>48,144</u>
Net change in fund balance	1,673,453	(12,594)	1,660,859
FUND BALANCE AT BEGINNING OF YEAR	<u>20,827,321</u>	<u>127,995</u>	<u>20,955,316</u>
FUND BALANCE AT END OF YEAR	<u>\$ 22,500,774</u>	<u>\$ 115,401</u>	<u>\$ 22,616,175</u>

The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

RECONCILIATION OF GOVERNMENTAL FUNDS'
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Total Net Changes in Fund Balance for year ended June 30, 2014, per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,660,859
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The change in net position reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital asset purchases as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchases of capital assets	1,576,475	
Depreciation expense	(2,654,508)	
Net book value of capital assets disposed	<u>(63,216)</u>	(1,141,249)

Excess of compensated absences used over compensated absences earned	(398,423)
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Net post employment benefits expense in excess of contributions	(1,045,325)
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Claims payable for self insurance for healthcare	<u>120,000</u>
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Total changes in Net Position for year ended June 30, 2014, per Statement of Activities	<u><u>\$ (804,138)</u></u>
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The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINED STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUNDS

JUNE 30, 2014

ASSETS

Cash and cash equivalents	\$ 26,719,356
Receivables	<u>26,421</u>
Total Assets	<u><u>\$ 26,745,777</u></u>

LIABILITIES

Due to other funds of Sheriff	\$ 702,323
Balance due to taxing bodies, prisoners and others	<u>26,043,454</u>
Total Liabilities	<u><u>\$ 26,745,777</u></u>

The accompanying notes are an integral part of these statements.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided by Article V, Section 27 of the Louisiana Constitution of 1974, the East Baton Rouge Parish Sheriff (Sheriff) serves a four-year term as the chief executive officer of the law enforcement district and ex-officio tax collector of the parish. The Sheriff administers the parish jail system and exercises duties required by the parish court system, such as providing bailiffs, executing orders of the court, and serving subpoenas.

As the chief law enforcement officer of the parish, the Sheriff has the responsibility for enforcing state and local laws and ordinances within the territorial boundaries of the parish. The Sheriff provides protection to the residents of the parish through on-site patrols and investigations and serves the residents of the parish through the establishment of neighborhood watch programs, anti-drug abuse programs, et cetera. In addition, when requested, the Sheriff provides assistance to other law enforcement agencies within the parish.

As the ex-officio tax collector of the parish, the Sheriff is responsible for collecting and distributing ad valorem property taxes, state revenue sharing funds, proceeds of sales of seized property and fines, costs, and bond forfeitures imposed by the district court.

A. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

BASIS OF PRESENTATION

The accompanying financial statements of the Sheriff have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

GOVERNMENT-WIDE STATEMENTS:

The statement of net position and the statement of activities display information about the primary government. They include all of the non-fiduciary type funds of the reporting entity, which are considered to be governmental activities. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Sheriff's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore are clearly identifiable to a particular function. Program revenues are derived directly from fees and charges paid by the recipient of services offered by the Sheriff and grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the Sheriff's funds, including its fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION, BASIS OF ACCOUNTING (continued)

The Sheriff reports the following major governmental funds:

General Fund

The General Fund, as provided by Louisiana Revised Statute 33:1422, is the principal fund of the Sheriff's Office and accounts for a majority of the operations of the Sheriff's Office. The Sheriff's primary source of revenue is an ad valorem tax levied by the law enforcement district. Other sources of revenue include commissions on state revenue sharing, state supplemental pay for deputies, civil and criminal fees, fees for court attendance, and maintenance of prisoners, et cetera. General operating expenditures are paid from this fund.

Special Revenue Fund

Special Revenue Funds account for the proceeds of restricted or committed revenue sources. The Canteen Fund accounts for the operation of the prison commissary which is funded through sales of goods and services to prisoners.

Additionally, the Sheriff reports a fiduciary fund type as follows:

Agency Funds

The agency funds are used as depositories for civil suits, cash bonds, ad-valorem taxes collected, fees, evidence seized, prisoner deposits, et cetera. Disbursements from these funds are made to various local government agencies, litigants in suits, detainees, et cetera, in the manner prescribed by law. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

B. REPORTING ENTITY

For financial reporting purposes, the Sheriff includes all funds, activities, et cetera, that are controlled by the Sheriff as an independently elected parish official. As an independently elected parish official, the Sheriff is solely responsible for the operations of his office, which include the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of funds. Other than certain operating expenditures of the Sheriff's Office that are paid or provided by the city-parish council as required by Louisiana law, the Sheriff is financially independent. As required by generally accepted accounting principles, the financial statements of the reporting entity include only those of the East Baton Rouge Parish Sheriff (the primary government). There are no component units to be included in the Sheriff's reporting entity.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The Government-Wide Financial Statements (GWFS) and fiduciary fund statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Sheriff gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Sheriff considers all property tax revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

In preparing the GWFS, the Sheriff follows those Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, which were made applicable to governments through the issuance of GASB No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November, 1989 FASB and AICPA Pronouncements*.

D. BUDGET PRACTICES

The proposed budget for the year ended June 30, 2014, was made available for public inspection and comments from taxpayers at the Sheriff's office on June 14, 2013. A public hearing was held on the proposed budget at least 10 days after publications of the call of the hearing. The proposed budget was published in the official journal ten days prior to the public hearing, which was held at the Sheriff's Office on June 25, 2013 for the comments from taxpayers. The budget was legally adopted and amended, as necessary, by the Sheriff.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess of revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget presented in the accompanying budgetary comparison schedules includes the originally adopted budget and the final budget which includes all subsequent amendments.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposit accounts, interest-bearing demand deposits, and money market accounts. Under state law, the Sheriff may deposit funds in demand deposit accounts, interest-bearing demand deposit accounts, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Tax collections must be deposited in a bank domiciled in the parish where the funds are collected.

Under state law, the Sheriff may invest in United States bonds, treasury notes, U.S. Agency obligations or investment grade commercial paper. These are classified as investments if their original maturity exceeds 90 days.

F. CAPITAL ASSETS

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual cost is not available. Donated fixed assets are recorded as capital assets at their fair value at the date of donation. The Sheriff maintains a threshold level of \$5,000 or more for capitalizing assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Capital assets are recorded in the Statement of Net Position and depreciation thereon within the Statement of Activities. Since surplus assets are sold for an immaterial amount when declared no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Vehicles	5
Computer Software	5
Office Furniture and Equipment	5-15
Law Enforcement Equipment	5-10
Telecommunications Equipment	5

G. COMPENSATED ABSENCES

Employees of the Sheriff's Office earn from 16 to 22 hours of paid time off (PTO) every 28 days of uninterrupted full-time employment. Maximum accrual of PTO is 1,040 hours, depending upon length of service. During the year ended June 30, 2010, the Sheriff discontinued the accrual of sick leave. The unused sick leave was transferred to PTO to the extent that the transfer did not cause accumulated PTO to exceed 1,040 hours. The remaining sick leave that could not be transferred will be available for the respective employees to use. However, upon termination, accumulated sick leave that was not transferred to PTO, will not be paid out. Upon termination of employment, employees are paid for accrued PTO up to 300 hours.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. COMPENSATED ABSENCES (continued)

Law enforcement employees receive overtime compensation for compensable hours worked in excess of 171 hours in a 28-day work period. Non-law enforcement employees receive overtime compensation for compensable hours worked in excess of 40 hours during a 7 day work week. Exempt employees are not compensated for overtime. As a condition of employment with the Sheriff's Office, nonexempt employees receive compensatory time (CT), at the rate of time and a half, in lieu of immediate cash payment for overtime. CT is time off with full pay and benefits (insurance, pension, and accrual of PTO). A maximum of 480 hours of CT may be accumulated for law enforcement personnel. A maximum of 240 hours of CT may be accumulated by non-law enforcement personnel.

The cost of leave privileges is recognized as current year expenditure in the General Fund when leave is actually taken or paid upon termination. The cost of leave privileges not requiring current resources is reported as a liability in the Statement of Net Position. As such, all accumulated CT and up to 300 hours of PTO is accrued as a long-term liability in the Statement of Net Position.

H. FUND EQUITY OF FUND FINANCIAL STATEMENTS.

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below in accordance with Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

Nonspendable - represent permanently nonspendable balances that are not expected to be converted to cash.

Spendable

Restricted - represent balances where constraints have been established by external parties or by enabling legislation.

Committed - represent balances where constraints have been established by formal action of the Sheriff.

Assigned - represent balances where informal constraints have been established by the Sheriff or his delegate, but that are not restricted nor committed.

Unassigned - represent balances for which there are no constraints.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, the Sheriff reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, the Sheriff reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets, liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. NET POSITION

The Sheriff has implemented GASB No. 63, Financial Reporting of *Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the entity's net position that is applicable to a future reporting period. Because deferred outflows and inflows are, by definition, neither assets nor liabilities, the statement of net assets title is not referred to as the statement of net position. As of June 30, 2014, the Sheriff has no deferred inflows or outflows.

2. LEVIED TAXES

The following is a summary of authorized and levied property taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date</u>
Special law enforcement	4.36	4.36	None
Additional special law enforcement	6.90	6.90	12/31/2023
Special law enforcement	3.73	3.73	12/31/2020

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2014, are as follows:

	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
<u>Cost</u>				
Land	\$ 43,560	\$ -	\$ -	\$ 43,560
Buildings	3,807,530	-	-	3,807,530
Vehicles	14,165,320	941,864	(664,411)	14,442,773
Office furniture and equipment	3,623,042	341,269	(19,957)	3,944,354
Law enforcement equipment	3,501,516	220,967	(27,600)	3,694,883
Telecommunications equipment	3,841,077	72,375	-	3,913,452
Total	<u>28,982,045</u>	<u>1,576,475</u>	<u>(711,968)</u>	<u>29,846,552</u>
<u>Accumulated Depreciation</u>	<u>(18,065,708)</u>	<u>(2,654,508)</u>	<u>648,752</u>	<u>(20,071,464)</u>
Total Capital Assets (net)	<u>\$ 10,916,337</u>	<u>(\$ 1,078,033)</u>	<u>(\$ 63,216)</u>	<u>\$ 9,775,088</u>

For the year ended June 30, 2014, depreciation expense was \$2,654,508.

4. CASH AND CASH EQUIVALENTS

At June 30, 2014, the Sheriff has cash and cash equivalents consisting solely of deposits in financial institutions. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

Custodial credit risk is the risk that an entity may fail to receive its deposits upon failure of a financial institution. To protect against such risks, the market values of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2014, the deposits are adequately secured from custodial credit risk by pledged securities and FDIC insurance.

5. RECEIVABLES

Receivables at June 30, 2014 are as follows:

Federal grants	\$ 314,275
Feeding, keeping and transporting prisoners	200,132
Other fees, charges and commissions	<u>427,628</u>
	<u>\$ 942,035</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

6. RESTRICTED ASSETS

Restricted cash held in the general fund of \$835,303 represents funds received from grants, narcotic seizures, litigation settlements, and amounts received under Act 942. These amounts are held in these accounts until disbursements are properly authorized.

7. PENSION PLAN

Plan Description. Substantially all employees of the Sheriff's Office are members of the Louisiana Sheriffs' Pension and Relief Fund (the System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees.

All Sheriffs and all deputies who are found to be physically fit, who earn at least \$400 per month if employed prior to January 1, 1991, and not less than \$800 if employed subsequent to December 30, 1990, and who were between the ages of 18 and 50 at the time of original employment are required to participate in the System. Employees are eligible to retire after age 55 with at least twelve years of creditable service and receive a benefit, payable monthly for life, equal to a percentage of their final average salary for each year of creditable service.

The member shall be paid a monthly sum equal to 3 1/3 percent of the member's average monthly salary for the 36 highest successive months of employment, or the highest 36 successive joined months of employment where interruption of service occurred, multiplied by the number of years creditable service in the System. In any case, the retirement benefit cannot exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least twelve years of service and do not withdraw their employee contributions may retire at or after age 55 and receive the benefit accrued to their date of termination as indicated previously. Employees who terminate with at least 20 years of creditable service are also eligible to elect early benefits between ages 50 and 55 with reduced benefits equal to the actuarial equivalent of the benefit to which they would otherwise be entitled at age 55. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Sheriffs Pension and Relief Fund, 1225 Nicholson Dr., Baton Rouge, LA 70802, or by calling (225) 219-0500.

Funding Policy. Plan members are required by state statute to contribute 10.25 percent of their annual covered salary and the Sheriff is required to contribute at an actuarially determined rate. The current rate is 13.89 percent of annual covered payroll. For the year ended June 30, 2014, the Sheriff paid a portion of the required employee contribution equal to .25 percent of annual payroll, thereby effectively making the Sheriff's contribution rate equal to 14.14 percent of covered payroll. Contributions to the System also include one-half of one percent of the taxes shown to be collectible by the tax rolls of each parish and funds as required and available from insurance premium taxes. The contribution requirements of plan members and the Sheriff are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Sheriff's contributions to the System, for the years ending June 30, 2014, 2013, and 2012, were \$5,725,637, \$5,480,792, and \$5,373,635, respectively.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS

The Sheriff accounts for its non-pension post-employment benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (GASB 45).

Plan Description. The East Baton Rouge Parish Sheriff's medical and life insurance benefits are provided to employees upon actual retirement.

Retirees with less than twenty years of service at retirement pay 100% of the blended medical premium, while a reduced schedule based on the blended premiums applies to retirees with twenty or more years of service at retirement. Employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age or, age 55 and 12 years of service.

Life insurance coverage is continued to retirees and the blended rate for active employees and retirees is \$0.37 per \$1,000 of insurance. The retiree pays 100% of the "cost" of the retiree's life insurance after retirement but that "cost" is based on the blended active/retired rate and there is thus an additional implied subsidy. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

Contribution Rates. Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Funding Policy. The Sheriff funds (or pays) the cost of providing post-employment medical and life insurance benefits as they become due and thus finances the cost of the post-employment benefits on a pay-as-you-go basis. For the year ended June 30, 2014, the Sheriff's funded portion of health care and life insurance funding cost for retired employees totaled \$676,035.

Effective July 1, 2008, the Sheriff implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45), which required governments to recognize the actuarially determined cost of the benefits over the term of employment as those benefits are earned, regardless of when the benefits were funded.

Annual Required Contribution. The Sheriff's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC as of July 1, 2014 is as follows:

Normal Cost	\$ 793,497
30-year UAL amortization amount	<u>1,091,678</u>
Annual required contribution (ARC)	<u>\$ 1,885,175</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Net Post-employment Benefit Obligation (Asset). The table below shows the calculation of the Sheriff's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30, 2014:

Beginning Net OPEB Obligation 7/1/2014	\$ 9,187,578
Annual required contribution	1,885,175
Interest on Net OPEB Obligation	367,504
ARC Adjustment	(531,319)
OPEB Cost	1,721,360
Current year retiree premium (plan contributions)	(676,035)
Change in Net OPEB Obligation	<u>1,045,325</u>
Ending Net OPEB Obligation 6/30/2014	<u>\$ 10,232,903</u>

The following table shows the Sheriff's annual post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net post-employment benefit (OPEB) obligation (asset):

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2014	\$ 1,721,360	39.27%	\$ 10,232,903
June 30, 2013	\$ 1,667,422	37.54%	\$ 9,187,578
June 30, 2012	\$ 2,893,890	13.91%	\$ 8,146,114

Funded Status and Funding Progress. In the fiscal year ending June 30, 2014, the Sheriff made no contributions to its post employment benefits plan other than the current year's premium due for retirees. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the July 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2014 was \$19,632,269 which is defined as that portion, as determined by a particular actuarial cost method (the Sheriff uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

Actuarial Accrued Liability (AAL)	\$ 19,632,269
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 19,632,269</u>
Funded Ratio (Act. Val. Assets/AAL)	0.00%
Covered Payroll (active plan members)	\$ 43,952,743
UAAL as a percentage of covered payroll	44.67%

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Sheriff and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Sheriff and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Sheriff and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets. There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate. An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%.

Post employment Benefit Plan Eligibility Requirements. Historically, most employees have not retired until 20 to 30 years of service. We have therefore assumed that employees retire three years after the earliest of the following: 30 years of service at any age; or, age 55 and 20 years of service. The three years is to accommodate the D.R.O.P. period. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate. The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER POST-EMPLOYMENT BENEFITS (continued)

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits. The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The retiree pays the "cost" of the medical benefits as described above under "Plan Description" but the medical rates provided are "blended" rates for active and retired. We have therefore estimated the "unblended" rates as required by GASB 45 for valuation purposes to be 130% of the total blended rates prior to Medicare eligibility and 80% of the total blended rates after Medicare eligibility. The retiree portion of the premium paid is then deducted from the estimated total unblended premium to determine the implied subsidy paid by the employer.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

9. CHANGES IN AGENCY FUNDS

A summary of changes in agency fund balances due to taxing bodies and others follows:

	<u>Sheriff's Fund</u>	<u>Prison Inmate Fund</u>	<u>Tax Collector Fund</u>	<u>Evidence Fund</u>	<u>Total</u>
Balance, 07/01/2014	\$ 7,216,197	\$ 255,547	\$ 16,660,807	\$ 658,993	\$ 24,791,544
Additions	20,819,319	494,759	461,860,233	301,584	483,475,895
Reductions	(21,270,078)	(537,309)	(459,573,524)	(140,751)	(481,521,662)
Balance, 06/30/2014	<u>\$ 6,765,438</u>	<u>\$ 212,997</u>	<u>\$ 18,947,516</u>	<u>\$ 819,826</u>	<u>\$ 26,745,777</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

10. TAXES PAID UNDER PROTEST

Amounts held in escrow for protested taxes at June 30, 2014, were \$11,363,136, consisting of taxes paid under protest, plus interest earned to date on the investment of these funds. These funds are held pending resolution of the protest and are accounted for in the Tax Collector Agency Fund.

11. RISK MANAGEMENT

A. Accounting for Risk

In accordance with Section C50 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, the Sheriff accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting. Claims paid under the Sheriff's self-insurance risk program are recorded as expenditures against the General Fund.

B. Risk Management – Workers Comp, Auto, General Liability

At June 30, 2014, the Sheriff was a defendant in multiple lawsuits in the ordinary course of business. These suits, arising from various claims involving workman's compensation issues, automobile accidents, police misconduct, general liability and others are mostly covered through insurance. However, the Sheriff is exposed for certain uninsured claims and deductibles. Those lawsuits with at least reasonable possibility of an unfavorable outcome expose the Sheriff to losses ranging from approximately \$25,000 to \$900,000. An estimate of \$500,000 has been accrued in the financial statements to account for claims and deductibles that have been incurred and will likely be paid. Based upon the opinion of the Sheriff's legal counsel, the ultimate resolution of these matters, as well as other claims not covered by insurance policies, is not expected to materially impact the operations of the Sheriff.

C. Risk Management – Employee Health

The Sheriff assumes the risk of all medical claims of participants in its employee health plan up to \$150,000 per individual, with reinsurance covering the claims in excess of that amount up to \$5,000,000. In the aggregate, the reinsurance covers individual claims up to \$5,000,000 for the life of the policy. The Sheriff is exposed to various risks of loss related to health insurance for its employees. The Sheriff does not report risks covered by excess insurance as liabilities unless it is probable that those risks will not be covered by excess insurance carriers. Settlements did not materially exceed excess insurance coverage for the year. Claims activity and the estimated claims incurred but not paid at year-end are as follows:

Unpaid claims as of July 1, 2013	\$ 1,390,000
Current year claims incurred and changes in estimates	9,143,877
Claims paid	(9,263,877)
Unpaid claims as of June 30, 2014	<u>\$ 1,270,000</u>

The above unpaid claims as of June 30, 2014, include amounts for claims incurred but not yet reported, as determined from actual claims paid subsequent to year-end as well as an estimate based upon historical lag trends.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

NOTES TO THE FINANCIAL STATEMENTS

12. COMPENSATED ABSENCE LIABILITY

At June 30, 2014, employees of the Sheriff have accumulated and vested \$7,840,337 of employee leave benefits according to the Sheriff's PTO policy, which were computed in accordance with GASB Classification Section C60. The following is a summary of the compensated absence liability activity during the year:

	<u>Compensated Absences</u>
Balance, July 1, 2013	\$ 7,441,914
Additions (amounts earned)	4,318,635
Deductions (amounts paid)	<u>(3,920,212)</u>
Balance, June 30, 2014	<u>\$ 7,840,337</u>

13. INTERFUND TRANSACTIONS

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 702,023	\$ -
Canteen Fund	300	-
Agency Funds	-	702,323
	<u>\$ 702,323</u>	<u>\$ 702,323</u>

15. SHORT-TERM DEBT

In order to finance operations until the collection of property tax revenues, the Sheriff obtained a short-term loan from a prominent banking institution. The interest rate on the loan was 0.86%. Twelve million was available for draw, and the entire twelve million was drawn. The loan was repaid in full in January of 2014. Interest paid on the loan was \$16,053 during fiscal year 2014. A summary of the short-term debt activity for the year is as follows:

<u>Beginning Balance</u>	<u>Draws/ Increases</u>	<u>Repayment/ Decreases</u>	<u>Ending Balance</u>
\$ -	\$ 12,000,000	(\$ 12,000,000)	\$ -

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16. RESTATEMENT OF PRIOR YEAR NET POSITION

Net position of the Sheriff was restated for June 30, 2013.

The net effect to the Statement of Net Position for the prior period is as follows:

Net position, June 30, 2013, as previously reported	\$ 13,416,009
Adjustment for capital assets	<u>(63,848)</u>
Net position, June 30, 2013, as restated	<u>\$ 13,352,161</u>

REQUIRED
SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Ad valorem taxes	\$ 55,785,000	\$ 57,205,000	\$ 57,536,926	\$ 331,926
Intergovernmental revenues:				
Federal grants	1,143,000	1,759,150	1,723,146	(36,004)
State grants	90,000	91,500	91,520	20
State supplemental pay	3,980,000	3,706,000	3,694,050	(11,950)
State revenue sharing	695,000	695,000	693,881	(1,119)
Fees, charges, and commissions for services:				
Civil and criminal fees	7,253,500	6,170,500	6,342,198	171,698
Court attendance	150,000	131,000	131,172	172
Transporting prisoners	330,000	292,500	314,344	21,844
Feeding and keeping prisoners	11,487,000	9,866,500	10,490,826	624,326
Fines and forfeitures	300,000	210,000	208,689	(1,311)
Narcotics seizures and other	3,629,450	3,746,050	3,878,522	132,472
Interest income	195,000	185,000	225,847	40,847
Donations and miscellaneous	744,000	788,000	719,925	(68,075)
Total Revenues	<u>85,781,950</u>	<u>84,846,200</u>	<u>86,051,046</u>	<u>1,204,846</u>
<u>EXPENDITURES</u>				
Public safety:				
Personnel services and related benefits	59,493,250	59,035,350	58,417,431	617,919
Operating services	11,620,300	11,809,900	11,976,763	(166,863)
Materials and supplies	11,395,500	9,888,000	10,449,150	(561,150)
Travel and other charges	2,127,400	1,988,300	2,027,956	(39,656)
Capital outlay	1,195,500	1,529,100	1,554,437	(25,337)
Total Expenditures	<u>85,831,950</u>	<u>84,250,650</u>	<u>84,425,737</u>	<u>(175,087)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,000)	595,550	1,625,309	1,029,759
Other financing sources:				
Sale of fixed assets	50,000	50,000	48,144	1,856
Total other financing sources	<u>50,000</u>	<u>50,000</u>	<u>48,144</u>	<u>1,856</u>
NET CHANGE IN FUND BALANCE	-	645,550	1,673,453	1,031,615
FUND BALANCE AT BEGINNING OF YEAR	<u>20,733,449</u>	<u>20,827,321</u>	<u>20,827,321</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 20,733,449</u>	<u>\$ 21,472,871</u>	<u>\$ 22,500,774</u>	<u>\$ 1,031,615</u>

EAST BATON ROUGE PARISH SHERIFF

Baton Rouge, Louisiana

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND - PRISON CANTEEN FUND

YEAR ENDED JUNE 30, 2014

	<u>Budget</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<u>REVENUES</u>				
Self generated revenue	\$ 412,250	\$ 480,000	\$ 470,557	\$ (9,443)
Total Revenues	412,250	480,000	470,557	(9,443)
<u>EXPENDITURES</u>				
Public safety:				
Operating services	331,750	389,485	389,182	303
Materials and supplies	47,500	67,600	62,177	5,423
Transporting and other charges	33,000	32,500	31,792	708
Total Expenditures	412,250	489,585	483,151	6,434
EXCESS OF REVENUES OVER EXPENDITURES	-	(9,585)	(12,594)	(3,009)
FUND BALANCE AT BEGINNING OF YEAR	108,268	127,996	127,995	1
FUND BALANCE AT END OF YEAR	\$ 108,268	\$ 118,411	\$ 115,401	\$ (3,008)

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

OTHER POST EMPLOYMENT BENEFITS PLAN
YEAR ENDED JUNE 30, 2014

SCHEDULE OF FUNDING PROGRESS

<u>Fiscal Year Ending</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
6/30/2014	7/1/2012	\$ -	\$ 19,632,269	\$ 19,632,269	0.00%	\$ 43,952,743	44.67%
6/30/2013	7/1/2012	-	18,877,181	18,877,181	0.00%	44,469,419	42.45%
6/30/2012	7/1/2010	-	24,418,601	24,418,601	0.00%	41,300,030	59.12%
6/30/2011	7/1/2010	-	24,418,601	24,418,601	0.00%	42,184,888	57.88%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Amount Contributed</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Increase (Decrease) to Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
6/30/2014	\$ 1,721,360	\$ 676,035	39.27%	\$ 1,045,325	\$ 10,232,903
6/30/2013	1,667,422	625,958	37.54%	1,041,464	9,187,578
6/30/2012	2,893,890	402,453	13.91%	2,491,437	8,146,114
6/30/2011	2,815,921	339,734	12.06%	2,476,187	5,654,678

OTHER SUPPLEMENTARY INFORMATION

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

GENERAL DESCRIPTIONS
AGENCY FUNDS
June 30, 2014

SHERIFF'S FUND

The Sheriff's Fund accounts for funds held in civil suits, sheriff's sales, and garnishments. It also accounts for collections of bonds, fines, and costs and payment of these collections to the recipients in accordance with applicable laws.

PRISON INMATE FUND

This fund accounts for deposits made by and for the inmates and for authorized withdrawals.

TAX COLLECTOR AGENCY FUND

Article V, Section 27 of the Louisiana Constitution of 1974 provides that the Sheriff will serve as the collector of state and parish taxes and fees. The Tax Collector Fund accounts for the collection and distribution of these taxes and fees to the appropriate taxing bodies.

EVIDENCE FUND

All United States currency received by the evidence section, whether considered evidence, seized funds, or found property, is to be deposited into the Evidence Fund, and maintained by the Sheriff. All found property is to be returned to its rightful owner as soon as possible after obtaining the proper release. Other money that can be specifically identified to a third party can be released upon obtaining the proper authorization and release forms.

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES - ALL AGENCY FUNDS
June 30, 2014

	Sheriff's Fund	Prison Inmate Fund	Tax Collector Fund	Evidence Fund	Total
<u>ASSETS</u>					
Cash and cash equivalents	\$ 6,741,375	\$ 212,997	\$ 18,945,205	\$ 819,779	\$ 26,719,356
Receivables	24,063	-	2,311	47	26,421
Total assets	<u>\$ 6,765,438</u>	<u>\$ 212,997</u>	<u>\$ 18,947,516</u>	<u>\$ 819,826</u>	<u>\$ 26,745,777</u>
<u>LIABILITIES</u>					
Due to other funds	\$ -	\$ -	\$ 702,323	\$ -	\$ 702,323
Due to taxing bodies and others:					
Due to taxing bodies	-	-	6,882,057	-	6,882,057
Due to others	6,765,438	212,997	-	819,826	7,798,261
Protested taxes	-	-	11,363,136	-	11,363,136
Total Liabilities	<u>\$ 6,765,438</u>	<u>\$ 212,997</u>	<u>\$ 18,947,516</u>	<u>\$ 819,826</u>	<u>\$ 26,745,777</u>

EAST BATON ROUGE PARISH SHERIFF
Baton Rouge, Louisiana

COMBINING SCHEDULE OF CHANGES IN
AMOUNT DUE TAXING BODIES AND OTHERS - ALL AGENCY FUNDS
YEAR ENDED JUNE 30, 2014

	Sheriff's Fund	Prison Inmate Fund	Tax Collector Fund	Evidence Fund	Total
<u>AMOUNTS DUE TAXING BODIES</u> <u>AND OTHERS JUNE 30, 2013</u>	<u>\$ 7,216,197</u>	<u>\$ 255,547</u>	<u>\$ 16,660,807</u>	<u>\$ 658,993</u>	<u>\$ 24,791,544</u>
<u>ADDITIONS</u>					
Deposits:					
Suits, successions, etc.	16,149,954	-	-	-	16,149,954
Garnishments	3,941,769	-	-	-	3,941,769
Surety bonds	727,596	-	-	-	727,596
Taxes, fees, etc. paid to tax collector	-	-	460,476,906	-	460,476,906
Interest on investments	-	-	1,383,327	-	1,383,327
Other Additions					
Prisoner deposits	-	494,759	-	-	494,759
Evidence cash received	-	-	-	301,584	301,584
Total additions	<u>20,819,319</u>	<u>494,759</u>	<u>461,860,233</u>	<u>301,584</u>	<u>483,475,895</u>
<u>REDUCTIONS</u>					
Taxes, fees, etc. distributed					
to taxing bodies and others	-	-	459,573,524	-	459,573,524
Payments to litigants, etc.	13,152,649	-	-	-	13,152,649
Fees to Sheriff and Clerk of Court	7,514,628	-	-	-	7,514,628
Surety bond forfeitures	-	-	-	-	-
Surety bond refunds	602,801	-	-	-	602,801
Refunds to released inmates and					
prisoner program disbursements	-	537,309	-	-	537,309
Authorized program disbursements	-	-	-	140,751	140,751
Total reductions	<u>21,270,078</u>	<u>537,309</u>	<u>459,573,524</u>	<u>140,751</u>	<u>481,521,662</u>
Change in amounts due taxing bodies and others	<u>(450,759)</u>	<u>(42,550)</u>	<u>2,286,709</u>	<u>160,833</u>	<u>1,954,233</u>
<u>AMOUNTS DUE TAXING BODIES</u> <u>AND OTHERS JUNE 30, 2014</u>	<u>\$ 6,765,438</u>	<u>\$ 212,997</u>	<u>\$ 18,947,516</u>	<u>\$ 819,826</u>	<u>\$ 26,745,777</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Sid J Gautreaux, III
East Baton Rouge Parish Sheriff
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the combined fiduciary funds of the East Baton Rouge Parish Sheriff (the "Sheriff") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Sheriff's basic financial statements, and have issued our report thereon dated December, 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite + Netterville

Baton Rouge, Louisiana
December 19, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Sid J Gautreaux, III
East Baton Rouge Parish Sheriff
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the East Baton Rouge Parish Sheriff's (the "Sheriff") compliance with the types of requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Sheriff's major federal programs for the year ended June 30, 2014. The Sheriff's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulation, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Sheriff's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sheriff's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sheriff's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sheriff complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Sheriff is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sheriff's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Postlethwaite + Nettemille

Baton Rouge, Louisiana
December 19, 2014

East Baton Rouge Parish Sheriff
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

FEDERAL DEPARTMENT/PASS-THROUGH ENTITY/PROGRAM	CFDA #	Grant #	EXPENDED
<u>United States Department of Justice</u>			
<u>Direct Program:</u>			
<i>Office of Justice Programs:</i>			
Justice Assistance Grant 2010	16.738	2010-DJ-BX-1636	\$ 137
Justice Assistance Grant 2011	16.738	2011-DJ-BX-3127	6,373
Justice Assistance Grant 2012	16.738	2012-DJ-BX-0938	233,888
Justice Assistance Grant 2013	16.738	2013-DJ-BX-0241	70,821
<u>Passed Through:</u>			
<i>Louisiana Commission on Law Enforcement and Administration of Criminal Justice:</i>			
COPS Hiring Program	16.710	2011-UL-WX-0016	309,196
Violent Crime Task Force	16.738	2013-DJ-01-1431	10,000
Violent Crime Task Force	16.738	B12-5-014	6,012
Targeting Violent Criminals	16.738	B12-5-010	19,456
Multi-Jurisdictional Task Force	16.738	B10-5-014	5,032
Multi-Jurisdictional Task Force	16.738	B11-5-012	40,335
Crime Victims Unit	16.575	C12-5-012	1,594
Crime Victims Unit	16.575	2013-VA-04	24,366
Interrogation Room Creation	16.738	2012-DJ-BX-0382	17,724
Total United States Department of Justice			744,934
<u>United States Department of Transportation</u>			
<u>Passed Through:</u>			
<i>Louisiana Department of Public Safety and Corrections:</i>			
State and Community Highway Safety	20.600 ¹	2012-30-25	20,720
State and Community Highway Safety	20.600 ¹	2014-30-23	52,940
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601 ¹	2012-30-25	21,440
Highway Planning and Construction	20.205	2012-30-25	15,040
Highway Planning and Construction	20.205	2014-30-23	36,030
Minimum Penalties for Repeat Offenders While Driving Intoxic	20.608	2014-30-23	55,126
National Priority Safety Programs	20.616	2014-30-23	42,430
Total United States Department of Transportation			243,726
<u>United States Department of Homeland Security</u>			
<u>Passed Through:</u>			
<i>Governor's Office of Homeland Security & Emergency Preparedness:</i>			
Port Security Grant 09	97.056	2009-GB-T9-K040	170,340
SHSP 11 (Homeland Security)	97.067	2011-SS-00124-S01	295,168
MMRS 11 (Homeland Security)	97.067	2011-SS-00124-S01	268,978
Total United States Department of Homeland Security			734,486
Total Expenditures			\$ 1,723,146

See accompanying notes to this schedule.

1 - Highway Safety Cluster

EAST BATON ROUGE PARISH SHERIFF

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the East Baton Rouge Parish Sheriff and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – PROGRAM CLUSTERS

Part 5 of the June 2014 A-133 Compliance Supplement identifies those programs that are considered to be clusters of programs as defined by OMB Circular A-133. A cluster of programs means Federal programs with different CFDA numbers that are defined as a cluster of programs because they are closely related programs that share common compliance requirements. The accompanying schedule of expenditures of federal awards include the following clusters of programs.

United States Department of Transportation - Highway Safety Cluster

<u>CFDA</u>	<u>Program Title</u>
20.600	State and Community Highway Safety
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants

NOTE C – SUB RECIPIENTS

Federal awards passed through the Sheriff and paid to sub recipients are as follows:

United States Department of Justice

<u>CFDA</u>	<u>Program Title</u>	
16.738	Justice Assistance Grant	\$ 133,286
16.738	Violent Crime Task Force	8,502
16.738	Multi-Jurisdictional Task Force	46,757

United States Department of Homeland Security

97.067/97.071	Homeland Security	<u>255,820</u>
		<u>\$ 444,365</u>

EAST BATON ROUGE PARISH SHERIFF
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal Control over Financial Reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes x no

Identification of major programs:

CFDA Numbers
97.067

Name of Federal Program or Cluster
Homeland Security Grant Program

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.

The East Baton Rouge Parish Sheriff was determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

None

EAST BATON ROUGE PARISH SHERIFF
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs

None

EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2014

EAST BATON ROUGE PARISH SHERIFF

REPORT TO MANAGEMENT

JUNE 30, 2014

December 19, 2014

Honorable Sid Gautreaux, Sheriff
East Baton Rouge Parish, Louisiana

In planning and performing our audit of the financial statements of the East Baton Rouge Parish Sheriff for the year ended June 30, 2014, we considered the Sheriff's internal controls and compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure or on compliance.

However, during our audit, we became aware of the following matter that is an opportunity for improving financial reporting, refining policies and procedures and enhancing compliance with laws and regulations. The following paragraphs summarize our comments and suggestions regarding this matter. This letter does not affect our report dated December 19, 2014 on the financial statements of the Sheriff.

Non-Compliance with Code of Ethics for Public Employees

Condition

Through internal sources, the East Baton Rouge Sheriff's Office learned that its Chief of Operations may have violated the Louisiana Ethics Code, specifically Louisiana Revised Statute 42:1111C(2)(d). The individual in question received something of value from a representative of a vendor of the Sheriff's Office that was used to obtain discounted lodging during a vacation. Purchases from this vendor for 2011-2014 ranged from approximately \$44,000-\$84,000 annually.

Recommendation

The Sheriff's Office should ensure that employees are provided with adequate training regarding the Louisiana Ethics Code. Additionally, the Sheriff's Office should continue to closely monitor budgets for appropriate expenditure levels.

Management's Response:

The East Baton Rouge Sheriff's Office takes all violations of state and local laws very seriously. In the above mentioned instance, the East Baton Rouge Sheriff's Office Internal Affairs Division conducted an investigation into an allegation of a violation of state ethics laws by an East Baton Rouge Sheriff's Office employee. Once the internal affairs investigation was complete, the findings were presented to the Sheriff. The Sheriff disciplined the employee with a suspension of two days without pay. The East Baton Rouge Sheriff's Office proactively informed the Louisiana Legislative Auditor's Office, the Louisiana Ethics Board and our independent auditors, Postlethwaite & Netterville, of the potential violation of the state ethics law by the East Baton Rouge Sheriff's Office employee. The employee has been reassigned and is no longer in a position to request purchases or approve purchases for the East Baton Rouge Sheriff's office with no contact with vendors. Additionally, the East Baton Rouge Sheriff's Office no longer does business with the vendor involved in this alleged ethics violation. The East Baton Rouge Sheriff's Office currently requires all employees to complete the mandatory state ethics training on an annual basis and will emphasize the importance of the ethical behavior of all employees. In addition, the Human Resources Director of the East Baton Rouge Sheriff's Office recently became a certified ethics trainer and will present an in-depth ethics training to the Sheriff's Office administration during the first quarter of 2015. The East Baton Rouge Sheriff's Office will continue to hold all of its employees to the highest ethical standards and proactively investigate any future allegations involving unethical behavior.

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank the Sheriff's Office staff for their cooperation with us during the performance of the audit.

This letter is intended solely for the information and use of the Sheriff and his management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite + Netterville

